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C O N F I D E N T I A L SECTION 01 OF 04 HAVANA 000201

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SUBJECT: CUBA: 2ND UPDATE ON REACTIONS TO RAUL'S SPEECH

REF: HAVANA 187

Classified By: COM: Michael E. Parmly: For reasons 1.4 b/d

11. (C) SUMMARY: Post continued to receive reactions to the events of February 24 from members of civil society, the Catholic Church, and average Cubans. For the short term, most Cubans dismiss the likelihood of political changes. Simultaneously, they are increasingly speculating about possible small economic reforms. End Summary.

12. (C) On February 26, COM Parmly spoke to Father Jose Conrado, who had recently returned to Cuba after several weeks in the U.S. Conrado thought, from the few he has talked to since he returned, that Raul is playing a balancing act and that we would not see what he actually does "as opposed to what he talks about doing or actually thinks he will be able to do" for at least a few more months. Conrado said what worries him the most is what he senses is the current "silence" of Cubans. They have been talking about change for months now, and Raul only encouraged it. Every day that goes by without a visible improvement in the daily lives of your average Cuban, increases the risks of explosion. Conrado would not predict how that explosion would come, but he was confident it would happen. Conrado felt the Church has, potentially, an important role at this stage and he does not see the institution stepping up to the plate.

13. (C) COM Parmly met with Rene Gomez Manzano (RGM) on the evening of February 26. RGM sees strategic opportunity in Raul's 2/24 takeover and speech. Some of his reactions follow:

-- He is convinced that Fidel is finished and will hang around in a commentator capacity until the Lord takes him. But as a policy initiator, Fidel is finished. The repeated references by Raul in his speech to Fidel quotes were simply Raul's way of attempting to drape the historical and political mantle on his own shoulders. Raul is in charge.

-- The international press, and diplomatic corps, obsession with Machado Ventura as a hard-liner is highly exaggerated. Machado has been a hard-liner all his life because Fidel was a hard-liner. There is nothing inherent in Machado, or any of the others in the new Council of State, that makes them true ideologues of any viewpoint other than that of Fidel.

He expects Raul to set the tone and for the others to go lock-step in that direction, which does not necessarily mean that Raul will succeed in anything he tries to do.

-- The reaction to the Raul 2/24 speech of much of the party and government nomenklatura is one of pure panic. Raul talked about effecting drastic efficiencies, and that is something RGM expects Raul to do in fairly short order. Raul was in charge of a similar move in the mid-1990's, when in the midst of the Special Period the GOC felt obliged to shed some of its agencies, and he actually shut down a number of offices. Officials in the nomenklatura are now looking over their shoulders at every turn to see if their offices will be affected.

-- Raul will undertake some reform measures in the short term. The explanation is simple: He has no choice. Raul needs to start delivering to the Cuban population. He will try to maintain order in the population, and his calls for discipline and hard work are a reflection of that instinct, but Raul is smart enough to know he has to give something. It may be in the travel area, cutting back on if not eliminating entirely the need for a "tarjeta blanca" to travel abroad, although RGM agreed that tampering with travel aspects would probably be too explosive in the short term. RGM thought some measures in the agricultural area, to promote more production, and in the marketing of agriculture products would be among the first steps. RGM also saw monetary reform, with some appreciation of the Cuban National Peso (CUP) vice the value of the Cuban Convertible Peso (CUC), though not an actual elimination of the double currency as another early Raul move.

-- RGM opined that what Raul realizes he needs to do is

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generate more production in all areas of the economy. RGM said Raul has no alternative but to go in that direction. The Cuban economy is broken, and the popular pressure will not be alleviated by the token gestures mentioned above. Raul wants to stay in power, and to retain the power inherited from his brother. In order to do that, his lines about "discipline" and "order" are the short-term fix, to hold things in place while he works on the tougher, longer-term challenges.

-- RGM was not discouraged by the commentary in the press (e.g., the BBC) pointing to the isolation of the dissident movement. It is normal that there be greater attention on what the regime is doing, as they go through their leadership change. He did not feel impelled to rush out into the spotlight. The 2/24 speech of Raul did, however, give the opposition something to work with. RGM agreed that Raul's line about a willingness to accept "discrepancies" and varying points of view, while of course not aimed at the dissident community, was something the dissidents should take up.

-- RGM was also willing to explore producing some kind of joint statement, similar to the "Unity for Freedom" statement of April 2007, in the wake of the change of leadership. He agreed that the moment was at least as transcendental as last year, when the Moratinos visit galvanized the opposition. He said he would discuss it with his closest ally Felix Bonne, to try to push the idea.

14. (C) PD Counselor met with Horiuchi Takashi, the Bureau Chief for Asahi Shimbun who covers the west coast of Latin America, Central America and the Caribbean out of Los Angeles. He noted that he was disappointed in the results of the election, hoping that at least Carlos Lage would have been named to a higher position. He thought the cabinet changes signaled no political changes and only minimal economic changes, at least in the short-term.

15. (C) PD Counselor also spoke with AFP Bureau chief Patrick

Lescot. Following are some of his insights and opinions:

-- He is following street rumors that the value of the CUP will be increased, from the current 24 CUP to one CUC, to 20, or 18, or 15. Some "casas de cambio" (money exchange houses) were apparently closed the previous day, further fueling this rumor. This is significant in that it demonstrates raised expectations on the part of the Cuban populace.

-- Lescot has heard from some of his sources that Raul will soon announce permission for people to operate small businesses employing five or fewer persons from their homes. This could be one of those "easy" measures that Raul referred to in his speech that could be implemented soon and would begin paying off immediately, just as they did in Vietnam. Lescot Patrick opined that Vietnam was a much more valid model for Cuba than China.

-- In agriculture, Raul may announce that farmers will be allowed to choose which crops they grow. He believes that, for now, this change is more likely than the issue of land ownership. Campesinos are already very independent, he observed, choosing to work hard when they can benefit from their labor and refusing to work when they believe they will not. He added that when the same change was introduced in China in 1978, the production from small farms constituted 18% of the total for the whole country the very next year.

-- Finally, bringing all the old-guard hard-liners into the cabinet and wrapping himself in the mantle of Fidel may have been a very shrewd move on Raul's part. He has effectively shielded any reforms he may want to introduce from criticism by doing so.

16. (C) Poloff visited Roberto de Miranda (RDM), who despite warnings from state security continues his humanitarian work:

-- Poloff arrived as Roberto and his wife had just supplied lunch to 12 people and were using a network of dissident doctors to get treatment for the child of an expelled art teacher who had serious problems with her legs. Discharged

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professors had just finished extensive painting in the building and were laying down new tile floors while a woman doing the nails of Roberto's wife told Poloff that she was a discharged teacher.

-- Roberto said that he was very sad about the results of 2/24 as he and most of his neighbors and visitors were expecting a signal of reforms. Instead, he interpreted the selection of Machado -- whom he views as an ultra-orthodox communist -- as a sign that there will be no significant changes. RDM thinks that even economic reforms will be minimal. RDM also speculated that Fidel "from his hospital bed" made many of the selections due to the prominence of old people (most of them in their 70's) taking the high offices. RDM thinks Fidel has a hard time trusting anyone who is not a member of that generation.

-- Also at RDM's home was Nerys Castillo Moreno from the Havana neighborhood of Campute. She also said that she does not expect any significant changes from Raul's government. She did, however, acknowledged one noticeable change after 2/24: Hearing people in the streets and on the buses openly discussing the change of government, given that people were very quiet about such subjects in the past.

17. (C) Poloff spoke with Juan Carmelo Bermudez Rosabal, a third year psychology student, who said that the new government has no Cuban youth representation. Econoff gave a ride to two young female university students while listening to "Mesa Redonda," the GOC's nightly propaganda show on the radio. The episode was about 2/24 and various "average" Cubans were being interviewed for their reactions. The overly sycophantic responses caused the young women to burst

out laughing. One asked, "This is so ridiculous, why don't they ask me? I'll give them what's really going on," while the other one commented, "We will definitely have a new government in five years, since all of these old people will be dead by then."

18. (C) COM Parmly also spoke to Oswaldo Paya and his wife Ofelia on the evening of February 26:

-- Paya expects small economic changes such as "the ability to buy a car and easing the requirements for property transfers" that do not require the GOC to produce more. He also anticipates steps in the area of licenses, or "simply looking the other way," for individual entrepreneurship. Paya thought it possible the Raul-led government would accept more freedom for Cubans to leave the country. Measures that would cost the GOC very little, could even provide extra revenue for the regime, and simultaneously be noticed by the international press as well as the population.

-- Neither Paya nor Ofelia wanted to take a stance on whether Machado Ventura is a hard-liner. In their view the regime is hard-line, so what difference does it make? On the subject of political prisoners, Paya expected a few further releases of long-term prisoners, but lamented it would mean very little to those still in jail unjustly.

-- Paya was intrigued by the COM noting the phrases in Raul's speech that crow about accepting "discrepancies" in the discussion of ideas. Paya liked the idea of the opposition challenging Raul to make good on its pledge. COM briefed him on his earlier chat with Rene Gomez Manzano. Paya took note, but did not indicate he would be contacting either RGM or anyone else on it. "Of course," Paya said, "the government won't allow the opposition movement any kind of internal space, but the phrase and several like it in the February 24 speech would be useful to throw back at the regime." He wanted to think this further.

19. (C) Comment: Some civil society members see the rise of Raul and those with whom Raul has surrounded himself as a sharp turn in a conservative, hard-line, and, for the opposition, repressive direction. Others view opportunities for the opposition, if it knows how to take advantage of them. Most non-dissident Cubans also remain dismissive of the official GOC "propaganda interpretation" of 2/24, but many are focusing their attention on the substantive aspects of Raul's speech, particularly on potential short-term

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changes. Cubans are increasingly being heard talking politics -- more exactly, speculating on possible short-term economic reforms -- on the buses and other public spaces. Rumors about these "easy reforms" that Raul mentioned in his speech are spreading rapidly, especially about the dual currency -- to the point that we are hearing of Cubans selling their CUCs for CUPs in the expectation that the GOC will soon appreciate the CUP. We will continue to monitor the extent of such speculation. Speculation of political reforms, however, remains virtually nonexistent.

PARMLY